

Message Text

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PAGE 01 BONN 01674 01 OF 02 301817Z

43

ACTION EB-03

INFO OCT-01 SS-14 ISO-00 EUR-08 NSC-05 NSCE-00 INR-05

CIAE-00 PM-03 DODE-00 L-01 SAM-01 SP-02 NEA-06 RSC-01

/050 W

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R 301809Z JAN 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 7614

INFO AMEMBASSY PARIS

AMEMBASSY BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY DUBLIN

AMEMBASSY COPENHAGEN

AMEMBASSY LUXEMBOURG

AMEMBASSY ROME

AMEMBASSY LONDON

AMEMBASSY TEHRAN

USMISSION EC BRUSSELS

USMISSION OECD PARIS

C O N F I D E N T I A L SECTION 01 OF 02 BONN 01674

LIMDIS

E.O. 11652: GDS

TAGS: ENRG, ETRD, EEC, IR, GW

SUBJECT: EC-IRAN PREFERENTIAL ARRANGEMENT

REF: A. EC BRUSSELS 769; B. BONN 163; C. BONN 19801;

D. STATE 282186; E. PARIS 30928

1. WE HAVE INDICATIONS THAT ONE OF THE ISSUES WHICH
MAY WELL COME UP DURING CHANCELLOR SCHMIDT'S VISIT TO
PARIS NEXT WEEK FOR THE SEMI-ANNUAL GERMAN/FRENCH
CONSULTATIONS IS THE QUESTION OF AN EC-IRAN
PREFERENTIAL ARRANGEMENT. THE FRENCH DECISION TO
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PAGE 02 BONN 01674 01 OF 02 301817Z

SUPPORT ASSOCIATE MEMBER STATUS FOR IRAN WITH THE

EC HAS RESULTED IN A POLICY REVIEW AT THE HIGHEST LEVELS OF THE GERMAN GOVERNMENT. THERE IS CONSIDERABLE CONCERN IN BONN OFFICIAL CIRCLES THAT THE FRENCH ARE GETTING TOO FAR OUT IN FRONT OF THE GERMANS IN ESTABLISHING CLOSER RELATIONS WITH IRAN. THE ESTABLISHMENT OF CLOSER GERMAN-IRANIAN RELATIONS, HOWEVER, HAS BEEN A MAJOR FRG FOREIGN POLICY OBJECTIVE. THERE IS ALSO A FEELING OF CHAGRIN THAT THE FRENCH WERE ABLE TO PARLAY THEIR WILLINGNESS TO CHAMPION AN EC-IRAN PREFERENTIAL ARRANGEMENT INTO AN IRANIAN DECISION TO PURCHASE THE FRENCH COLOR TV SYSTEM SECAM INSTEAD OF THE COMPETING GERMAN PAL SYSTEM.

2. THERE ARE CURRENTLY TWO PRINCIPAL SCHOOLS OF THOUGHT WITHIN THE GERMAN GOVERNMENT ON THE ISSUE OF HOW TO REACT TO THE CHANGE IN THE FRENCH POSITION. ONE SCHOOL ARGUES THAT THE FRG MUST GO AS FAR AS THE FRENCH I.E. SUPPORT A GENERAL EC-IRANIAN PREFERENTIAL ARRANGEMENT. ADHERENTS OF THIS POSITION ARGUE THAT THEY CANNOT AFFORD TO LAG BEHIND THE FRENCH IN SUPPORT FOR IRAN. THE SECOND SCHOOL PLACES MORE WEIGHT ON COMMERCIAL POLICY CONSIDERATIONS AND ON THE ADVERSE EFFECT IN EC-US RELATIONS WHICH A PREFERENTIAL AGREEMENT WITH IRAN WOULD HAVE. PROPONENTS OF THIS VIEW ARGUE THAT SCHMIDT SHOULD ATTEMPT TO PROBE THE FRENCH ON THE FIRMNESS OF THEIR COMMITMENT TO IRAN WHILE AT THE SAME TIME THE PERMREPS WOULD CONTINUE THEIR CONSIDERATION OF ALTERNATIVE EC-IRANIAN ARRANGEMENTS INCLUDING THE COMMUNITY'S GENERALIZED SCHEME OF PREFERENCES.

3. ACCORDING TO A WELL-INFORMED SOURCE, THE PROPONENTS OF THE SECOND OPTION CURRENTLY HOLD THE UPPER HAND WITHIN THE FRG PRIMARILY BECAUSE OF THE WELL-KNOWN STRONG US OPPOSITION TO AN EC-IRAN PREFERENTIAL ARRANGEMENT. A HIGH LEVEL CHANCELLORY OFFICIAL

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PAGE 01 BONN 01674 02 OF 02 301822Z

43

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C O N F I D E N T I A L SECTION 02 OF 02 BONN 01674

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ASSURED US THAT THE CHANCELLORY WAS WELL AWARE OF THE US OBJECTIONS. CONSEQUENTLY, THE FRG POSITION REMAINS TO SEEK A LIMITED SOLUTION WHICH WOULD EXPAND THE EC ARRANGEMENT WITH IRAN WITHOUT NEGATIVE, PRECEDENT-SETTING TRADE POLICY CONSEQUENCES. A MAJOR GERMAN DESIDERATUM OF SUCH AN ARRANGEMENT IS THAT IT PROVIDE SUFFICIENT GUARANTEES OF DUTY FREE TREATMENT FOR THE PRODUCTS OF THE PROPOSED GERMAN-IRANIAN 25 MILLION TON PETROLEUM REFINERY. ONE POSSIBILITY UNDER CONSIDERATION IS THE GRANTING OF A BILATERAL GERMAN BINDING FOR PETROLEUM PRODUCTS IN CONJUNCTION WITH THE EC GSP SCHEME.

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PAGE 02 BONN 01674 02 OF 02 301822Z

4. THE GERMAN-FRENCH DISCUSSIONS OF THESE ISSUES NEXT WEEK COULD HAVE AN IMPORTANT BEARING ON THE EVOLUTION OF FRG POLICY. GIVEN THE IMPORTANCE OF THE BRITISH POSITION IN THE EC DELIBERATIONS OF THESE ISSUES, THE RESULTS OF ANY US INTERVENTION WITH THE BRITISH DURING PRIME MINISTER WILSON'S VISIT TO WASHINGTON WILL INFLUENCE THE GERMAN POSITION PRIOR TO THE SCHMIDT-GISCARD CONSULTATIONS. THE EMBASSY WOULD APPRECIATE ANY INFORMATION WE COULD PASS ON TO THE FRG ON THE RESULTS OF THE

DISCUSSIONS OF THESE ISSUES WITH THE BRITISH.
HILLENBRAND

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